

Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 05340 111522Z

43

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 COME-00 TRSE-00 SS-20

NSC-07 FRB-02 OPIC-12 XMB-07 CIAE-00 INR-10 NSAE-00

RSC-01 L-03 SP-03 SAJ-01 DRC-01 /115 W

----- 045745

R 111352Z APR 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 7767

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L MOSCOW 5340

E.O. 11652: GDS

TAGS: ETRD UR US

SUBJ: KAISER INDUSTRIES NEGOTIATIONS WITH SOVIETS

REF: A) MOSCOW 1083; B) MOSCOW 712 (BOTH NOTAL)

1. SUMMARY. KAISER INDUSTRIES GROUP HEADED BY VICE CHAIRMAN OF BOARD TREFETHEN DEPARTED MOSCOW APRIL 6 FOLLOWING TWO DAYS DISCUSSIONS WITH SOVIETS ON VARIOUS PENDING KAISER PROJECTS, PARTICULARLY MAJOR ALUMINUM/ALUMINA DEAL DISCUSSED REFTELS. ALTHOUGH KAISER GROUP FOUND THAT SOVIETS WERE UNDECIDED AS TO SCOPE OF ALUMINUM PROJECT, TREFETHEN ADVISED EMBOFF THAT HE WAS ENCOURAGED BY LATEST TALKS THAT AGREEMENT WAS POSSIBLE. END SUMMARY

2. DURING INTERVENING PERIOD SINCE DISUCSSIONS IN JANUARY (REFTELS), KAISER HAD DONE PRELIMINARY WORK ON MAJOR ALUMINUM PROJECT PROPOSED BY SOVIETS. ON FINANCIAL SIDE, KAISER HAS PUT TOGETHER BANKING GROUP HEADED BY BANK OF AMERICA AND FIRST BOSTON CORP. WHICH IN PRINCIPLE READY PROVIDE CREDITS. (COMMENT: TREFETHEN ADVISED THAT BANKS PREPARED PARTICIPATE WITHOUT EX-IM BANK, ALTHOUGH BOTH BANKS

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 05340 111522Z

AND KAISER NATURALLY HOPE THAT EX-IM FINANCING WILL BE

AVAILABLE. END COMMENT). ON PRODUCTION SIDE, KAISER HAS ORGANIZED CONSORTIUM HEADED BY KAISER AND INCLUDING RIO TINTO-ZINC AND MITSUBISHI TO MANAGE PROJECT, PROVIDE TECHNOLOGY, AND HANDLE DISPOSITION OF ALUMINUM WHICH GROUP WILL RECEIVE IN PAYMENT FOR EQUIPMENT, SERVICES AND TECHNOLOGY SUPPLIED TO SOVIETS.

3. FIRST INDICATION OF SOVIET INDECISION REGARDING ALUMINUM PROJECT CAME DURING VISIT TO SAN FRANCISCO IN MARCH 1974 OF SOVIET GROUP INCLUDING FOREIGN TRADE MINISTER PATOLICHEV AND GOSPLAN DEPUTY CHAIRMAN INOZEMTSEV. WHEN ASKED BY KAISER REPS HOW HE REGARDED ALUMINUM PROJECT, INOZEMTSEV SAID HE HAD NEVER HEARD OF PROPOSAL AND AS FAR AS GOSPLAN CONCERNED, IT WAS NOT IN PLAN AND THEREFORE DID NOT EXIST. KAISER REPS WERE ALSO SURPRISED WHEN INITIAL MEETING AT MINISTRY NON-FERROUS METALLURGY APRIL 4 WAS WITH DEPUTY MINISTER V.N. KOSTIN AND NOT WITH DEPUTY MINISTER N.T. GLUSHKOV, WHO HAD ORIGINALLY ADVANCED PROPOSAL FOR ALUMINUM PROJECT. HOWEVER, KOSTIN CONFIRMED THAT AS FAR AS MINISTRY WAS CONCERNED, PROPOSAL OUTLINED IN JANUARY BY GLUSHKOV WAS STILL VALID, ALTHOUGH KOSTIN CONFIRMED THAT PROJECT HAD NOT BEEN APPROVED BY GOSPLAN. KOSTIN ALSO ADVISED THAT MINISTRY WAS THINKING IN TERMS OF PHASED PROGRAM UNDER WHICH INITIAL STAGE CONSISTING OF ONE MILLION TON ALUMINA PLANT, 500,000 TON ALUMINUM PLANT AND ASSOCIATED ROLLING MILL WOULD BE CONSTRUCTED DURING 1976-80 PERIOD, WITH ADDITIONAL CAPACITIES (2 MILLION TONS OF ALUMINA AND 1 MILLION ALUMINUM) COMING ON DURING SUBSEQUENT FIVE-YEAR PERIOD.

4. IN MEETING WITH KOSTIN, KAISER REPS STRESSED NEED FOR AGREEMENT ON PRICE OF METAL TO BE ACCEPTED BY KAISER-LED CONSORTIUM AND ON LONG-TERM (MINIMUM OF 25 YEARS) SUPPLY CONTRACT UNDER WHICH CONSORTIUM WOULD HAVE GUARANTEED SOURCE OF METAL BEYOND COMPLETION OF SHIPMENTS REQUIRED FOR REPAYMENT CREDITS. KOSTIN AGREED THESE QUESTIONS REQUIRED RAPID DECISIONS BUT POINTED OUT THAT THEY WERE FOR MINISTRY OF FOREIGN TRADE AND GOSPLAN TO DECIDE. REMAINDER OF MEETING WITH KOSTIN CENTERED ON TECHNICAL QUESTIONS AND LOCATIONS FOR PROPOSED PLANTS. ON LATTER, KOSTIN INDICATED THAT ALUMINA PLANT WOULD PROBABLY BE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MOSCOW 05340 111522Z

IN NORTHERN KAZAKHSTAN, WITH KOLA PENINSULA AS OUTSIDE POSSIBILITY, AND ALUMINUM SMELTER DEFINITELY SITED FOR KRASNOYARSK AREA.

5. MEETING APRIL 4 AT GOSPLAN WITH INOZEMTSEV AND D.I. DERKACHEV SERVED TO DISPEL KAISER'S REMAINING DOUBTS AS TO SERIOUSNESS WITH WHICH SOVIETS APPROACHING PROJECT. INOZEMTSEV AGAIN SAID PROJECT NOT YET IN DRAFT

FIVE-YEAR (1976-80) PLAN, BUT INDICATED THAT SOVIETS HOPED MOVE RAPIDLY TO RESOLVE REMAINING QUESTIONS AND REACH FINAL AGREEMENT. AS INDICATION OF SOVIET INTENTIONS, INOZEMTSEV PROPOSED, AND KAISER AGREED, THAT KAISER TEAM SCHEDULED VISIT MOSCOW IN MAY BE EXPANDED FROM ITS ORIGINAL TECHNICAL FOCUS TO INCLUDE SENIOR FINANCIAL REPS. ON SOVIET SIDE, TEAM FOR MAY DISCUSSIONS WILL BE EXPANDED TO INCLUDE SENIOR GOSPLAN AND FOREIGN TRADE MINISTRY REPS.

6. KAISER HAS ALSO ATTEMPTED SINCE JANUARY TO CLARIFY STATUS OF ITS PROPOSAL VIS-A-VIS NEGOTIATIONS WHICH PECHINEY-UGINE KUHLMANN CORRENTLY CONDUCTING WITH SOVIETS. TREFETHEN MET WITH PECHINEY PRESIDENT JOVAN SHORTLY BEFORE HIS LATEST TRIP TO MOSCOW, BUT JOVAN REFUSED TO BE DRAWN OUT ON STATUS OF EECHINEY'S NEGOTIATIONS BEYOND SAYING THAT DISCUSSIONS WERE CONTINUING AND THT AGREEMENT WAS NOT EXPECTED IN IMMEDIATE FUTURE. SOVIETS WERE ALSO UNFORTHCOMING WHEN TREFETHEN INQUIRED REGARDING RELATIONSHIP BETWEEN TWO PROJECTS.

7. WITH REFERENCE TO KAISER'S PROPOSED PROJECTS IN BULGARIA (SOFIA 474), TREFETHEN ADVISED INOZEMTSEV OF KAISER'S NEGOTIATIONS AND ASKED WHETHER SOVIETS WERE AWARE OF THESE PROJECTS. INOZEMTSEV AVOIDED DIRECT REPLY, BUT KAISER REPS GAINED IMPRESSION THAT SOVIETS WERE NOT ONLY AWARE OF BULGARIAN PROPOSALS BUT WERE DIRECTLY INVOLVED. TREFETHEN CONFIRMED HIS VIEW THAT WITHOUT SOVIET PARTICIPATION, SOCPE OF PROJECTS PROPOSED BY BULGARIANS MADE NO SENSE. STOESEL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALUMINUM, CONSTRUCTION, TRADE VISITS, PROGRAMS (PROJECTS), INDUSTRIAL PLANTS, DEVELOPMENT FINANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 11 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MOSCOW05340
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740084-0316
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740448/aaaabrrz.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) MOSCOW 1083; B) MOSCOW 712 (BOTH, NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2002 by boyleja>; APPROVED <12 JUN 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KAISER INDUSTRIES NEGOTIATIONS WITH SOVIETS
TAGS: ETRD, UR, US, KAISER INDUSTRIES
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005